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(Additional Counsel on Signature Page)

**IN THE UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA**

MO JEEWA, Derivatively on Behalf of
PAYSIGN, INC.,

Plaintiff,

v.

MARK R. NEWCOMER, MARK
ATTINGER, DANIEL H. SPENCE, JOAN M.
HERMAN, DAN R. HENRY, BRUCE A.
MINA, DENNIS TRIPLETT, and QUINN
WILLIAMS,

Defendants,

-and-

PAYSIGN, INC.,

Nominal Defendant.

Case No. _____

**VERIFIED STOCKHOLDER
DERIVATIVE COMPLAINT**

JURY TRIAL DEMANDED

Plaintiff Mo Jeewa ("Plaintiff"), by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief is based upon, among other things, his counsel's investigation, which includes without limitation: (a) review and analysis of regulatory filings made by Paysign, Inc. ("Paysign" or the "Company"), with the U.S. Securities and Exchange Commission (the "SEC"); (b) review of pleadings filed in a federal securities class action against

1 Paysign and many of the defendants named herein, captioned at *In re Paysign, Inc. Securities*
2 *Litigation*, No. 20-cv-00553-GMN-DJ (D. Nev.) (the “Securities Class Action”); (c) review and
3 analysis of press releases and media reports issued by and disseminated by Paysign; (d) review of
4 other publicly available information concerning Paysign; and (e) direct communications between
5 Plaintiff’s counsel and the Company or its board of directors (the “Board”).

6 **NATURE AND SUMMARY OF THE ACTION**

7 1. Whether to commence litigation on a corporation’s behalf is normally left to the
8 discretion of its board of directors, who are legally bound to carry out their fiduciary duties in the
9 best interests of the corporation and its shareholders. Thus, absent exceptional circumstances,
10 shareholders seeking to vindicate a corporation’s interests must make a pre-suit demand on the board
11 to investigate potential wrongdoing and, where appropriate, bring litigation. But the board’s
12 prerogative is not absolute. When the board shirks its duty to investigate and defend the corporation’s
13 interest, shareholders may nevertheless step into the corporation’s shoes and commence litigation
14 on its behalf. That’s what has happened here.

15 2. Paysign is a Nevada corporation that prepaid card programs and processing services
16 for corporate, consumer and governmental applications. It was founded in 2001 by Mark R.
17 Newcomer (“Newcomer”) and Daniel H. Spence (“Spence”).

18 3. Paysign has a long history of lax accounting controls, including employing an
19 accountant, Arthur De Joya (“Joya”) that was prohibited from practicing as an accountant pursuant
20 to an SEC cease and desist order in 2015. Joya was suspended from practicing or appearing before
21 the SEC because he ignored the signs of an elaborate fraud associated with the audit of another
22 company, which the SEC found amounted to no real audit. Not only did Joya serve as the Company’s
23 CFO between 2007 and 2015, but his company was hired as an independent auditor for Paysign.

24 4. On March 16, 2020, Paysign announced a delay in filing its annual report for 2019,
25 citing a material weakness in its internal controls over financial reporting and information
26 technology general controls. In April 2020, Paysign disclosed that material weaknesses in the
27 Company’s internal controls over financial reporting existed as of December 31, 2019, including

1 “lack[ing] sufficient monitoring and disclosure controls to prevent and terminate the employment of
2 an individual barred from practicing before the Securities and Exchange Commission who assisted
3 the Company in accounting matters related to the preparation of its financial statements for 2017,
4 2018, and 2019.”

5 5. Paysign’s stock price plummeted in the wake of the revelations, but the harm
6 extended beyond its investors. Indeed, the Company itself became the target of securities fraud
7 litigation brought by aggrieved investors (*i.e.*, the Securities Class Action), who alleged claims under
8 Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”). On February
9 9, 2023, United States District Judge Gloria M. Navarro granted in part and denied in part the
10 defendants’ motion to dismiss the Securities Class Action. Specifically, Judge Navarro sustained the
11 Section 10(b) claims against Paysign, Newcomer, and Attinger.

12 6. In light of the harm inflicted on Paysign by Newcomer and Attinger—as well as the
13 rest of the Board members who stood by idly while the Company falsely assured investors of the
14 adequacy of its internal controls despite employing a known fraudster—Plaintiff sent a letter on May
15 28, 2021 demanding that the Board take immediate remedial action (the “Demand”). The Company
16 responded by letter dated June 10, 2021, advising that the Board “would consider” the demand.

17 7. But the Board did not consider Plaintiff’s Demand.

18 8. Plaintiff followed up with the Company and the Board on numerous occasions—on
19 May 16, 2022, June 9, 2022, July 5, 2022, April 17, 2023, and June 21, 2023—each time requesting
20 information about what (if anything) the Board was doing to investigate and prosecute the matters
21 raised in the Demand. At every turn, without *any* apparent Board consideration or determination, the
22 Company rebuffed the idea that anything needed to be done, or that anything needed to be done to
23 rectify the serious missteps that resulted in the Company’s woefully inadequate internal controls and
24 the resulting Securities Class Action. Such obstruction and willful neglect of the pressing,
25 meritorious issues raised in Plaintiff’s Demand is tantamount to a wrongful refusal.

26 9. Plaintiffs’ Demand set forth a credible case that Paysign’s officers and directors had
27 breached their fiduciary duties to the Company. And by refusing to consider, investigate, and take

1 action in response to Plaintiff's Demand, the Board's constructive refusal represents an independent
2 breach of fiduciary duty.

3 10. Plaintiff is, therefore, forced to bring this "demand refused" shareholder derivative
4 action on Paysign's behalf.

5 **JURISDICTION AND VENUE**

6 11. This Court has jurisdiction over all claims under 28 U.S.C. § 1332(a) because there
7 is complete diversity between the parties and the amount in controversy exceeds the sum of \$75,000,
8 exclusive of interest and costs.

9 12. This action is not a collusive action designed to confer jurisdiction on a court of the
10 United States that it would not otherwise have.

11 13. This Court has personal jurisdiction over each defendant because each defendant is
12 either a corporation conducting business and maintaining operations in this district or an individual
13 who is either present in this district for jurisdictional purposes or has, directly and indirectly, used
14 the means and instrumentalities of interstate commerce, the United States mail, and the facilities of
15 a national securities markets, such that each defendant has sufficient minimum contacts with this
16 district so as to render the exercise of jurisdiction by this Court permissible under traditional notions
17 of fair play and substantial justice.

18 14. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b) because: (i) nominal
19 defendant Paysign maintains its principal place of business in this district; (ii) one or more of the
20 Defendants resides or maintains offices in this district; (iii) a substantial portion of the transactions
21 and wrongs complained of herein occurred in this district; and (iv) Defendants have received
22 substantial compensation in this district by doing business here and engaging in numerous activities
23 that had an effect in this district.

24 **THE PARTIES**

25 15. Plaintiff Mo Jeewa, a citizen of Canada, is a current Paysign stockholder and has
26 continuously been a Paysign stockholder at all relevant times.

1 16. Nominal Defendant Paysign is a Nevada corporation with its principal executive
2 offices located at 2615 St. Rose Parkway, Henderson, Nevada 89012. From 2006 through April 23,
3 2019, Paysign was known as 3PEA. The Company's securities trade on the Nasdaq Capital Market
4 ("NASDAQ") under the ticker symbol "PAYS."

5 17. Defendant Newcomer is a cofounder of the Company and has served as the
6 Company's CEO since March 2006. Newcomer also serves as Chairman of the Board. For fiscal
7 year 2019, Newcomer received \$1,031,969 in compensation from the Company. Upon information
8 and belief Newcomer is a citizen of Nevada.

9 18. Mark Attinger ("Attinger") served as the Company's Chief Financial Officer
10 ("CFO") between December 2018 and February 2021. For fiscal year 2019, Attinger received
11 \$647,088 in compensation from the Company. Upon information and belief, Attinger is a citizen of
12 Arizona.

13 19. Defendant Spence, a cofounder of the Company, served as a director of the Board
14 between March 2006 and August 2022. Also, defendant Spence served as the Company's Chief
15 Technology Officer ("CTO") between March 2006 until December 2020. For fiscal year 2019,
16 Spence received \$663,036 in compensation from the Company. Upon information and belief, Spence
17 is a citizen of Australia.

18 20. Defendant Joan M. Herman ("Herman") has served as the Company's Executive Vice
19 President, Operations and as a director of the Board since November 2018. Upon information and
20 belief, Herman is a citizen of Nevada.

21 21. Defendant Dan R. Henry ("Henry") has served as a director of the Board since May
22 2018. For fiscal year 2019, defendant Henry received \$413,568 in compensation from the Company.
23 Upon information and belief, defendant Henry is a citizen of Texas. During the Relevant Period,
24 Henry served on the Board's Audit Committee, Compensation Committee, and Nominating
25 Committee.

26 22. Defendant Bruce A. Mina has served as a director of the Board since March 2018.
27 For fiscal year 2019, defendant Mina received \$79,456 in compensation from the Company. Upon
28

1 information and belief, defendant Mina is a citizen of New York. During the Relevant Period, Mina
2 served on the Board's Audit Committee and Compensation Committee.

3 23. Defendant Dennis Triplett ("Triplett") has served as a director of the Board since
4 May 2018. For fiscal year 2019, Triplett received \$87,817 in compensation from the Company. Upon
5 information and belief, Triplett is a citizen of Missouri. During the Relevant Period, Triplett served
6 on the Board's Audit Committee and Compensation Committee.

7 24. Defendant Quinn Williams ("Williams") served as a director of the Board between
8 April 2018 and December 2022. For fiscal year 2019, Williams received \$100,891 in compensation
9 from the Company. Upon information and belief, Williams is a citizen of Arizona. During the
10 Relevant Period, Williams served on the Board's Compensation Committee and Nominating
11 Committee.

12 25. Defendants Newcomer, Attinger, Spence, Herman, Henry, Mina, Triplett, and
13 Williams are collectively referred to as "Individual Defendants."

14 **DUTIES OF THE DEFENDANTS**

15 26. By reason of their positions as officers or directors of the Company and because of
16 their ability to control the business and corporate affairs of the Company, Defendants owed the
17 Company and its stockholders the fiduciary obligations of good faith, loyalty, and candor and were
18 and are required to use their utmost ability to control and manage the Company in a fair, just, honest,
19 and equitable manner. Defendants were and are required to act in furtherance of the best interests
20 of the Company and its stockholders so as to benefit all stockholders equally and not in furtherance
21 of their personal interest or benefit. Each director and officer of the Company owes to the Company
22 and its stockholders the fiduciary duty to exercise good faith and diligence in the administration of
23 the affairs of the Company and in the use and preservation of its property and assets, and the highest
24 obligations of fair dealing.

25 27. Defendants, because of their positions of control and authority as directors or officers
26 of the Company, were able to and did, directly or indirectly, exercise control over the wrongful acts
27 complained of herein.

1 28. To discharge their duties, the officers and directors of the Company were required to
2 exercise reasonable and prudent supervision over the management, policies, practices, and controls
3 of the Company. By virtue of such duties, the officers and directors of Paysign were required to,
4 among other things:

- 5 a. ensure that the Company complied with its legal obligations and
6 requirements, including acting only within the scope of its legal authority and
7 disseminating truthful and accurate statements to the SEC and the investing
8 public;
- 9 b. conduct the affairs of the Company in a lawful, efficient, business-like
10 manner so as to make it possible to provide the highest quality performance
11 of its business, to avoid wasting the Company's assets, and to maximize the
12 value of the Company's stock;
- 13 c. properly and accurately guide investors and analysts as to the true financial
14 condition of the Company at any given time, including making accurate
15 statements about the Company's financial results and prospects, and ensuring
16 that the Company maintained an adequate system of financial controls such
17 that the Company's financial reporting would be true and accurate at all times;
- 18 d. remain informed as to how the Company conducted its operations, and, upon
19 receipt of notice or information of imprudent or unsound conditions or
20 practices, make reasonable inquiry in connection therewith, and take steps to
21 correct such conditions or practices and make such disclosures as necessary
22 to comply with federal and state securities laws; and
- 23 e. ensure that the Company was operated in a diligent, honest, and prudent
24 manner in compliance with all applicable federal, state, and local laws, rules,
25 and regulations.

26 29. Each of Defendants, as a director or officer, owed to the Company and its
27 stockholders the fiduciary duties of loyalty, good faith, and candor in the management and
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1 administration of the affairs of the Company, as well as in the use and preservation of its property
 2 and assets. The conduct of Defendants complained of herein involves a knowing and culpable
 3 violation of their obligations as directors and officers of the Company, the absence of good faith on
 4 their part, and a reckless disregard for their duties to the Company and its stockholders that
 5 Defendants were aware or should have been aware posed a risk of serious injury to the Company.

6 30. The Company has established a Code of Business Conduct and Ethics (the “Code”),
 7 which all Company directors, officers, and employees are to comply with, states:

8 2. COMPLIANCE WITH LAWS AND REGULATIONS

9 Employees must comply with all applicable laws and regulations
 10 which relate to their activities for and on behalf of Paysign. Paysign
 11 will not tolerate any violation of the law or unethical business
 dealing by any employee, including any payment for, or other
 participation in, an illegal act, such as bribery.

12 Paysign is committed to full compliance with the laws and
 13 regulations of the cities, states and countries in which it operates.
 14 You must comply with all applicable laws, rules and regulations in
 performing your duties for Paysign. Numerous federal, state and
 15 local laws and regulations define and establish obligations with
 which Paysign, its employees and agents must comply. Under
 certain circumstances, local country law may establish requirements
 that differ from this code.

16 You are expected to comply with all local country laws in
 17 conducting Paysign’s business. If you violate these laws or
 18 regulations in performing your duties for Paysign, you not only risk
 individual indictment, prosecution and penalties, as well as civil
 19 actions and penalties, but also subject Paysign to the same risks and
 penalties. If you violate these laws in performing their duties for
 Paysign, you may be subject to immediate disciplinary action,
 20 including possible termination of your employment or affiliation
 with Paysign.

21 Employees must ensure that their conduct cannot be interpreted as
 22 being in any way in contravention of applicable laws and regulations
 governing the operations of Paysign.

23 * * *

24 3.2 Relationships with Clients, Customers and Suppliers

25 Paysign recognizes that relationships with clients, customers and
 26 suppliers give rise to many potential situations where conflicts of
 interest, real or perceived, may arise. Employees should ensure that
 27 they are independent, and are seen to be independent, from any

business organization having a contractual relationship with Paysign or providing goods or services to Paysign, if such a relationship might influence or create the impression of influencing their decisions in the performance of their duties on behalf of Paysign. In such circumstances, employees should not invest in, or acquire a financial interest, directly or indirectly, in such an organization.

* * *

3.5 Insider Information and Insider Trading

Employees may receive information concerning Paysign or one of its affiliates, business partners, clients, or customers that is confidential and not generally known by the public. If that information is “material” (i.e., publication of that information is likely to affect the market price of the stock of the entity to which the information relates), then the employee has an ethical and legal obligation not to (a) act on that information (i.e., buy or sell stock based on that information), (b) disclose that information to others, or (c) advise others to buy or sell the stock of the entity to which that information relates, until such information becomes public. An employee’s direct or indirect use of or sharing of such confidential, privileged, or otherwise proprietary business information of Paysign or its partners, clients, or customers for financial gain, including investment by the employee or the transmission of this information to others so that they can use this information for their financial gain, constitutes insider trading, which is a criminal offense. Please refer to Paysign’s Insider Trading Policy for more information.

* * *

8. PAYSIGN’S RECORDS

Accurate and reliable records of many kinds are necessary to meet Paysign’s legal and financial obligations and to manage the affairs of Paysign. Paysign’s books and records should reflect all business transactions in an accurate and timely manner. Undisclosed or unrecorded revenues, expenses, assets or liabilities are not permissible, and the employees responsible for accounting and record-keeping functions are expected to be diligent in enforcing proper practices.

31. Defendants Henry, Mina, and Triplett were members of the Board’s Audit Committee during the Relevant Period, and they were required to comply with the Audit Committee Charter that was in place at the time of the alleged wrongdoing. The Audit Committee Charter provides that the members of the Audit Committee “shall oversee the Company’s accounting and financial reporting processes and the audit of the Company’s financial statements,” including, “a) [t]he quality and integrity of the Company’s financial statements; b) [t]he Company’s compliance with legal and

1 regulatory requirements; c) [t]he independent auditor's qualifications and independence; and d) [t]he
2 performance of the Company's internal audit function and independent auditors." Moreover, the
3 Audit Committee Charter provides, among other things:

4 A. The Committee shall:

5 1. Have the sole authority to appoint, retain, compensate, oversee,
6 evaluate and, where appropriate, terminate the independent auditors
who shall audit the financial statements of the Company.

7 2. Select, retain, compensate, oversee and terminate, if necessary,
8 any other registered public accounting firm engaged by the
9 Company for the purpose of preparing or issue an audit report or
performing other audit, review or attest services for the Company.

10 3. Inform each registered public accounting firm performing audit
or permissible non- audit services for the Company that such firm
11 shall report directly to the Committee.

12 4. At the beginning of each new fiscal year, review and approve the
proposed scope of the fiscal year's internal and external audit. At,
13 or shortly after the end of each fiscal year, review with the
independent auditor, the internal auditor, if any, and Company
14 management, the audited financial statements and related opinion
and costs of the audit of that year.

15 5. Review and pre-approve any audit and permitted non-audit
16 services to be provided by the Company's independent auditors, and
the compensation and fees to be paid to such independent auditors
for such services, and establish policies and procedures for the
17 Committee's pre-approval of permitted services by the Company's
independent auditors. The Committee has the sole authority to make
18 these approvals, although such approval may be delegated to any
Committee member so long as the approval is presented to the full
19 Committee at a later time.

20 6. Review, at least annually, the qualifications, performance and
21 independence of the independent auditor. In conducting such
review, the Committee shall obtain and review a report by the
22 independent auditor describing: (1) the audit firm's internal quality-
control procedures; (2) any material issues raised by the most recent
23 internal quality-control review, or peer or PCAOB review of the
firm, or by any inquiry or investigation by governmental or
24 professional authorities, within the preceding five years, regarding
one or more independent audits carried out by the firm, and any steps
25 taken to deal with any such issues; and (3) to assess the auditor's
independence, all relationships between the independent auditor and
26 the Company. The independent auditors shall provide the
Committee with a written statement describing all relationships
27 between the auditors and the Company, and the Committee shall
discuss with the independent auditors any disclosed relationships or
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1 services that may impact the objectivity or the independence of the
2 auditors.

3 7. Obtain and review, at least annually, a written report from the
4 independent auditor describing (1) all critical accounting policies
5 and practices; (2) all alternative treatments of financial information
6 within generally accepted accounting principles (“GAAP”) that
7 have been discussed with Company management, the ramifications
8 of the use of such alternative disclosures and treatments, and the
9 treatment preferred by the independent auditor; and (3) other
10 material written communications between the independent auditors
11 and Company management, such as any management letter or
12 schedule of unadjusted differences.

13 8. Review and discuss with the independent auditors and
14 management (1) any audit problems or other difficulties
15 encountered by the auditor in the course of its audit work, including
16 any restrictions on the scope of the independent auditor’s activities
17 or on access to requested information; (2) any significant
18 disagreements with management; and (3) management’s responses
19 to such matters. The Committee shall oversee the resolution of any
20 disagreements between management and the auditors regarding
21 financial reporting.

22 9. Review, periodically, issues regarding accounting principles and
23 financial statement presentations, including any significant changes
24 in the Company’s selection or application of accounting principles,
25 and major issues as to the adequacy of the Company’s internal
26 controls and any special audit steps adopted in light of material
27 control deficiencies; analyses prepared by management and/or the
28 independent auditor setting forth significant financial reporting
issues and judgments made in connection with the preparation of the
financial statements, including analyses of the effects of alternative
GAAP methods on the financial statements; and the effect of
regulatory and accounting initiatives, as well as off-balance sheet
structures, on the financial statements of the Company.

10. Review and discuss, at least annually, with the Company’s
independent auditors the matters required to be discussed by
PCAOB Auditing Standards No. 16 -- Communications with Audit
Committees and the Statement on Auditing Standards No. 61
(Codification of Statements on Auditing Standards, AU Sec. 380),
as modified or supplemented.

11. Review with management, the independent auditors, and the
internal auditors, if any, the adequacy and effectiveness of the
Company’s internal controls, and the integrity of the Company’s
financial reporting process.

12. Review, as applicable, funding and investment policies,
implementation of funding policies and investment performance of
the Company’s benefit plans.

13. Review and approve any recommendations, certifications and reports that may be required by NASDAQ or the SEC, including the report of the Committee that must be included in the Company's annual proxy statement.

14. Review disclosures made to the Committee by the Company's CEO and CFO about any significant deficiencies in the design and operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

15. Review and discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations," any major issues regarding accounting, disclosure and auditing procedures and practices, and the adequacy of internal controls that could materially affect the Company's financial statements. Based on such annual review, the Committee shall recommend to the Board the inclusion of the financial statements in the Company's annual report on Form 10-K.

16. Discuss with management the type of presentation and type of information to be included in the Company's earnings press releases and the financial information and earnings guidance provided to, as applicable, analysts and rating agencies.

17. Establish and oversee procedures for (1) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (2) the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

18. Ensure the regular rotation of the lead audit partner of the Company's independent auditors as required by the Exchange Act and the rules of the SEC, and consider regular rotation of the registered public accounting firm serving as the Company's independent auditors.

19. Confirm with any independent auditor retained to provide audit services for any fiscal year that the lead (or coordinating) audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has not performed audit services for the Company in each of the five previous fiscal years of the Company and that the firm meets all legal and professional requirements for independence.

20. Discuss with management, the independent auditors and the internal auditors, if any, the Company's policies to govern the process by which management assesses and manages the Company's risks, including the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

21. Endeavor to determine that auditing procedures and controls are adequate to safeguard Company assets and assess compliance with Company policies and legal requirements.

22. Review and discuss with the independent auditor the Company's internal audit function, if any, including its performance, responsibilities, staffing and budget.

23. Set clear Company hiring policies for employees or former employees of the independent auditors that participated in any capacity in any Company audit.

24. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.

25. Review, approve and oversee any "related party transactions," as such term is defined in Item 404 of Regulation S-K under the Exchange Act, on an ongoing basis, and establish appropriate procedures to receive material information about, and prior notice of, any such transaction.

26. Review and evaluate, at least annually, the performance of the Committee and its members, including a review of the Committee's compliance with this Charter.

27. Review and reassess, at least annually, the adequacy of this Charter and recommend changes to the Board.

32. Defendants Henry, Mina, Williams, and Triplett were members of the Board's Compensation Committee during the Relevant Period, and they were required to comply with the Compensation Committee Charter that was in place at the time of the alleged wrongdoing. The Compensation Charter provides that each director serving on the committee is responsible for "review[ing] and manag[ing] the compensation structure of the Company, administer stock incentive plans, and oversee[ing] and review[ing] various benefit plans of the Company. The Compensation Charter also provides, among other things, that the Compensation Committee shall:

A. Review and approve the factors and criteria, including corporate goals and objectives, applicable to the compensation of the Chief Executive Officer (the "CEO") and other executive officers.

B. Review and evaluate the performance of the CEO and other executive officers and other employees identified by the Committee as key employees of the Company ("Key Employees") in light of

1 the goals and objectives of the Company, including consideration of
2 the Company's performance and relative stockholder return.

3 C. Determine and recommend for to the full board the annual
4 compensation packages for the CEO, other executive officers, and
5 Key Employees, including their base salaries, stock options and
6 other stock-based incentives, variable pay amounts and variable pay
7 metrics, based on the Committee's evaluations and, in accordance
8 with the Company's incentive compensation plans, including the
9 Company's stock option plan(s) as in effect from time to time. In
10 evaluating and determining executive compensation, the Committee
11 will consider the results of the most recent stockholder advisory vote
12 on executive compensation. The CEO may not be present during
13 voting or deliberations concerning his or her compensation.

14 D. Review and approve, or make recommendations to the Board
15 regarding, incentive compensation plans and equity-based plans in
16 which executive officers and directors are eligible to participate, as
17 well as any amendments or modifications to such plans.

18 E. Supervise and oversee the administration of the Company's
19 incentive compensation and equity-based plans, variable pay and
20 stock programs, and approve equity grants under the Company's
21 stock option and stock incentive plans.

22 F. Review and act upon management proposals to (i) designate Key
23 Employees to incentive compensation programs; and (ii) approve
24 new benefit plans.

25 G. Monitor the effectiveness of benefit plan offerings and approve
26 changes where appropriate.

27 H. Review, and make recommendations to the Board regarding, any
28 employment agreements and any severance arrangements, including
any benefits to be provided in connection with a change of control,
for the CEO and other executive officers, as well as any amendments
or modifications to such agreements or arrangements.

I. Review, evaluate and manage the potential risks posed to the
Company by its incentive compensation arrangements and
compensation program and policies.

J. Develop and recommend to the Board the annual retainer fee as
well as other compensation for the non-employee directors.

K. Prepare and approve the Committee report to be included as part
of the Company's annual proxy statement and Annual Report on
Form 10-K.

L. Oversee the Company's submissions to shareholders on
executive compensation matters, including advisory votes on
executive compensation and the frequency of such votes, and assess
the results of the Company's most recent advisory vote on executive
compensation.

1 M. Review and evaluate, at least annually, the performance of the
2 Committee and its members, including a review of the Committee's
compliance with this Charter.

3 N. Review and reassess, at least annually, the adequacy of this
4 Charter and recommend changes to the Board.

5 33. Defendants Henry and Williams were members of the Board's Nominating
6 Company, and they were to comply with the Nominating Committee Charter, which required the
7 members to "(1) identify individuals qualified to become members of the Board and recommend
8 director candidates to the Board for election or re-election; and (2) develop, recommend to the Board,
9 and review the Company's corporate governance policies and practices, taking in consideration the
10 rules of The NASDAQ Stock Market LLC ("NASDAQ"), the Securities and Exchange Commission
11 ("SEC"), as well as other applicable laws, rules and regulations." Further, the Nominating
12 Committee was responsible for, among others, the following:

13 A. Identify, evaluate and recommend to the Board, consistent with
14 criteria approved by the Board, nominees for election as directors at
15 each annual meeting of stockholders of the Company, and as
otherwise required, whose experience and expertise will provide
added value to the Board's oversight responsibilities.

16 B. Develop, and recommend to the Board for its approval, criteria
17 to be considered in selecting director nominees, including matters
related to professional skills and experience, board composition, and
potential conflicts of interest.

18 C. Establish procedures for consideration of candidates for
19 recommendation to the Board, including candidates put forward by
20 stockholders, and consider individuals whose names are submitted
by management or by stockholders as candidates for election to the
Board.

21 D. Coordinate and oversee meetings and other actions requiring the
22 consideration of the non-employee directors of the Board.

23 E. Develop and recommend to the Board a set of corporate
24 governance principles applicable to the Company, review these
principles periodically and recommend any changes to the Board.

25 F. Periodically review and recommend to the Board changes to the
26 Company's Code of Conduct and Ethics (the "Code"), and monitor
overall compliance with the Code.

27 G. Review all potential conflicts of interest under and violations of
28 the Company's Code of Conduct and Ethics (the "Code"), and

1 consider all waivers of compliance with the Code, and make
2 recommendations to the Board regarding whether to grant a waiver
3 of compliance with the Code.

4 34. Additionally, as executive officers and directors of a publicly-traded company whose
5 common stock was registered with the SEC pursuant to the Exchange Act and traded on the Nasdaq,
6 the Individual Defendants had a duty not to effect the dissemination of inaccurate and untruthful
7 information with respect to the Company's financial condition, performance, growth, operations,
8 financial statements, business, products, management, earnings, internal controls, and present and
9 future business prospects, including false and misleading information about acquisitions, so that the
10 market price of the Company's common stock would be based upon truthful and accurate
11 information. Accordingly, the Individual Defendants breached their fiduciary duties by knowingly
12 or recklessly causing Paysign to make false and misleading statements of material fact about the
13 Company's financials and about Paysign's maintenance of adequate internal controls.

14 35. Each of the Individual Defendants further owed to Paysign and its stockholders the
15 duty of loyalty requiring that each favor Paysign's interest and that of its stockholders over their own
16 while conducting the affairs of the Company and refrain from using their position, influence, or
17 knowledge of the affairs of the Company to gain personal advantage.

18 **ADDITIONAL SUBSTANTIVE ALLEGATIONS**

19 **Company Background**

20 36. Paysign is a card payment solutions provider and an integrated payment processor
21 founded in 2001 by Newcomer and Spence. The Company was previously known as 3PEA, and
22 adopted its current name on April 23, 2019 and changed its NASDAQ trading symbol to "PAYS."

23 37. Paysign provides a card processing platform, through which the Company provides
24 a variety of services including transaction, processing, cardholder enrollment, value loading,
25 cardholder account management, reporting, and customer service.

26 38. Paysign also developed prepaid card programs for corporate incentive and rewards
27 including, but not limited to, consumer rebates and rewards, donor compensation, clinical trials,
28 healthcare reimbursement payments and pharmaceutical payment assistance.

1 39. The Company generates significant of its revenue from the plasma donation industry
2 and the pharmaceutical industry. In 2011, the Company began marketing a corporate incentive
3 prepaid card-based payment solution targeting the plasma donation industry. Since then, the
4 Company expanded its efforts on disbursement programs, corporate incentive and expense card
5 programs, as well as targeting the pharmaceutical industry with co-pay assistance, buy and bill, and
6 other prepaid programs designed to assist patient enrollment. In 2019, nearly 78% of the Company's
7 revenues derived from the plasma industry. Also, in 2019, nearly 20% of the Company's revenues
8 derived from the pharmaceutical industry.

9 40. Over the years, Payscale has had problems associated with its accounting practices
10 and its auditors. Prior to 2008, De Joya & Company served as the Company's auditor. De Joya &
11 Company, which was run by Joya, who served as the Company's Chief Financial Officer ("CFO")
12 from 2007 to 2015. Joya was prohibited from appearing or practicing before SEC as an accountant
13 for three years in 2015 for willful violation of Section 17(a) of the Securities Act of 1933 (the
14 "Securities Act") in connection with a fraud scheme perpetrated by a Canadian stock promoter
15 related to 20 purported mining companies. Joya, according to the SEC, ignored red flags alerting
16 him to the fact that Jonathan Briner ("Briner"), an attorney prohibited from practicing before the
17 SEC, had been involved in dozens of fraud schemes that resulted in millions of dollars lost by
18 thousands of investors. Joya, through one of his accounting firms, continued to provide services to
19 Briner. Despite all these problems, the Company hired Joya to serve as its CFO.

20 41. After De Joya & Company resigned as the Company's auditor, Sarna & Company
21 ("Sarna"), a three person firm, served as the Company's auditor until 2017. In February 2017, the
22 Public Company Accounting Oversight Board ("PCAOB") published a scathing report regarding
23 Sarna's audits of the Company's financial statements, concluding that Sarna issued an opinion
24 "without satisfying its fundamental obligation to obtain reasonable assurance about whether the
25 financial statements were free of material misrepresentations." Specifically, the PCAOB identified
26 the "failure to perform sufficient procedures to test revenue recognition" as the audit deficiency that
27 did not provide reasonable assurance that the Company's financial statements did not contain

1 material misrepresentations. Id. The PCAOB further concluded that Sarna's failure to sufficiently
 2 test revenue recognition procedures was attributable to a lack of "due professional care."

3 42. After Sarna resigned as the Company's auditor in April 2017, Squar Milner LLP was
 4 hired as the Company's auditor. Thereafter, Squar Milner LLP purportedly audited the Company's
 5 materially false and misleading financial statements included in the Annual Report on Form 10-K
 6 filed with the SEC for the year that ended on December 31, 2018 ("2018 10-K"). Interestingly, Squar
 7 Milner LLP also audited the financial statements of Pareteum Corporation, a company associated
 8 with insiders repeatedly accused of stock promotion schemes and other misconduct, which was also
 9 accused of accounting fraud in the summer of 2019 and has admitted that its financial statements
 10 cannot be relied upon by investors.

11 43. On July 2, 2020, Paysign announced that it dismissed Squar Milner LLP and
 12 appointed BDO USA, LLP as the Company's new public accounting firm. In addition, the Company
 13 admitted that its 2018 10-K, the Annual Report contained numerous false statements.

14 **The Individual Defendants Cause the Company to Issue False and Misleading Statements**

15 44. Unbeknownst to investors, during the Relevant Period, the Individual Defendants
 16 caused the Company to issue materially false and misleading statements regarding the Company's
 17 business, operations, and prospects. Specifically, the Individual Defendants willfully or recklessly
 18 made and/or caused the Company to make false and misleading statements that failed to disclose,
 19 among others, that: (1) the Company failed to design, implement, and maintain effective IT general
 20 controls, specifically pertaining to user access and the Company's systems change management; (2)
 21 the Company failed to maintain effective disclosure controls and internal controls over its financial
 22 reporting; and (3) due to the foregoing, the Company would be forced to delay filing its 2019 10-K
 23 and holding its 2019 year-end earnings call.

24 45. On March 12, 2019, the Individual Defendants caused the Company to file a Form
 25 10-K with the SEC, which was signed by defendants Newcomer, Attinger, and Spence. The Form
 26 10-K stated, in relevant part:

1 We depend on key personnel and could be harmed by the loss of
2 their services because of the limited number of qualified people in
3 our industry.

4 Because of our small size, we require the continued service and
5 performance of our management team, sales and technology
6 employees, all of whom we consider to be key employees.
7 Competition for highly qualified employees in the financial services
8 and healthcare industry is intense. Our success will depend to a
9 significant degree upon our ability to attract, train and retain highly
10 skilled directors, officers, management, business, financial, legal,
11 marketing, sales, and technical personnel and upon the continued
12 contributions of such people. In addition, we may not be able to
13 retain our current key employees. The loss of the services of one or
14 more of our key personnel and our failure to attract additional highly
15 qualified personnel could impair our ability to expand our
16 operations and provide service to our customers.

17 * * *

18 We Incur Significant Costs As A Result Of Operating As A Public
19 Company. We May Not Have Sufficient Personnel For Our
20 Financial Reporting Responsibilities, Which May Result In The
21 Untimely Close Of Our Books And Record And Delays In The
22 Preparation Of Financial Statements And Related Disclosures.

23 As a registered public company, we have experienced an increase in
24 legal, accounting and other expenses. In addition, the Sarbanes-
25 Oxley Act of 2002 (the "Sarbanes-Oxley Act"), as well as new rules
26 subsequently implemented by the SEC, has imposed various
27 requirements on public companies, including requiring changes in
28 corporate governance practices. Our management and other
personnel need to devote a substantial amount of time to these
compliance initiatives. Moreover, these rules and regulations have
increased our legal and financial compliance costs and make some
activities more time-consuming and costly. If we are not able to
comply with the requirements of Sarbanes-Oxley Act, or if we or
our independent registered public accounting firm identifies
additional deficiencies in our internal control over financial
reporting that are deemed to be material weaknesses, the market
price of our stock could decline and we could be subject to sanctions
or investigations by the SEC and other regulatory authorities.

29 * * *

30 Our business is dependent on the efficient and uninterrupted
31 operation of computer network systems and data centers.

32 Our ability to provide reliable service to our clients and cardholders
33 depends on the efficient and uninterrupted operation of our
34 computer network systems and data centers as well as those of our
35 third party service providers. Our business involves movement of
36 large sums of money, processing of large numbers of transactions
37 and management of the data necessary to do both. Our success

1 depends upon the efficient and error-free handling of the money. We
2 rely on the ability of our employees, systems and processes and
3 those of the banks that issue our cards, our third party service
4 providers to process and facilitate these transactions in an efficient,
5 uninterrupted and error-free manner.

6 * * *

7 In the event of a breakdown, a catastrophic event (such as fire,
8 natural disaster, power loss, telecommunications failure or physical
9 break-in), a security breach or malicious attack, an improper
10 operation or any other event impacting our systems or processes, or
11 those of our vendors, or an improper action by our employees,
12 agents or third-party vendors, we could suffer financial loss, loss of
13 customers, regulatory sanctions and damage to our reputation. The
14 measures we have taken, including the implementation of disaster
15 recovery plans and redundant computer systems, may not be
16 successful, and we may experience other problems unrelated to
17 system failures. We may also experience software defects,
18 development delays and installation difficulties, any of which could
19 harm our business and reputation and expose us to potential liability
20 and increased operating expenses. We currently do not carry
21 business interruption insurance.

22 * * *

23 Our chief executive officer and chief financial officer evaluated the
24 effectiveness of our disclosure controls and procedures (as defined
25 in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act
26 of 1934) as of December 31, 2018. Based on that evaluation, our
27 chief executive officer and chief financial officer concluded that, as
28 of the evaluation date, such controls and procedures were effective.

* * *

19 As of December 31, 2018 we conducted an evaluation, under the
20 supervision and with the participation of our chief executive officer
21 (our principal executive officer), our chief operating officer and our
22 chief financial officer (also our principal financial and accounting
23 officer) of the effectiveness of our internal control over financial
24 reporting based on criteria established in Internal Control -
25 Integrated Framework issued by the Committee of Sponsoring
26 Organizations of the Treadway Commission, or the COSO
27 Framework. Management's assessment included an evaluation of
28 the design of our internal control over financial reporting and testing
of the operational effectiveness of those controls.

25 A material weakness is defined within the Public Company
26 Accounting Oversight Board's Auditing Standard No. 5 as a
27 deficiency, or a combination of deficiencies, in internal control over
28 financial reporting, such that there is a reasonable possibility that a
material misstatement of the company's annual or interim financial
statements will not be prevented or detected on a timely basis. Based

1 upon this assessment, management concluded that our internal
2 control over financial reporting was effective as of December 31,
3 2018.

4 46. The above statements in the 10-K were misleading when made because: (1) the
5 Company employed an accountant prohibited from practicing before the SEC to assist in the
6 preparation of the Company's financial statements for 2017, 2018 and 2019 filed with the SEC, and
7 as a result the Company's "success" based on the retention of "highly skilled" personnel in finance
8 was already impaired at the time these statements were made; (2) a material weakness in the
9 Company's information technology general controls existed at that time.

10 47. On May 8, 2019, the Individual Defendants caused the Company to file a Form 10-
11 Q with the SEC, which stated, in relevant part:

12 Our chief executive officer and chief financial officer are
13 responsible for establishing and maintaining our disclosure controls
14 and procedures. Disclosure controls and procedures means controls
15 and other procedures that are designed to ensure that information we
16 are required to disclose in the reports that we file or submit under
17 the Securities Exchange Act of 1934 is recorded, processed,
18 summarized and reported within the time periods specified in the
19 Securities and Exchange Commission's rules and forms, and to
20 ensure that information required to be disclosed by us in those
21 reports is accumulated and communicated to the our management,
22 including our principal executive and principal financial officers, or
23 persons performing similar functions, as appropriate to allow timely
24 decisions regarding required disclosure. Our chief executive officer
25 and chief financial officer evaluated the effectiveness of our
26 disclosure controls and procedures (as defined in Rules 13a-15(e)
27 and 15d-15(e) under the Securities Exchange Act of 1934) as of
28 March 31, 2019. Based on that evaluation, our chief executive
officer and chief financial officer have concluded that, as of the
evaluation date, such controls and procedures were effective.

48. The above statement in the Form 10-Q was misleading because: (1) the Company
employed an accountant prohibited from practicing before the SEC to assist in the preparation of the
Company's financial statements for 2017, 2018 and 2019 filed with the SEC, and as a result the
Company's "success" based on the retention of "highly skilled" personnel in finance was already
impaired at the time these statements were made; (2) a material weakness in the Company's
information technology general controls existed at that time.

49. Defendants Newcomer and Attinger also attached their signed certifications to the Form 10-Q stating that they “[d]esigned such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under [their] supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.”

50. On August 7, 2019, the Individual Defendants caused the Company to file a Form 10-Q, which repeated the effectiveness of the Company’s internal controls over financial reporting stated in the Form 10-Q filed on March 8, 2019:

Our chief executive officer and chief financial officer are responsible for establishing and maintaining our disclosure controls and procedures. Disclosure controls and procedures means controls and other procedures that are designed to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and to ensure that information required to be disclosed by us in those reports is accumulated and communicated to the our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of June 30, 2019. Based on that evaluation, our chief executive officer and chief financial officer have concluded that, as of the evaluation date, such controls and procedures were effective.

51. The above statement in the Form 10-Q was misleading because: (1) the Company employed an accountant prohibited from practicing before the SEC to assist in the preparation of the Company’s financial statements for 2017, 2018 and 2019 filed with the SEC, and as a result the Company’s “success” based on the retention of “highly skilled” personnel in finance was already impaired at the time these statements were made; (2) a material weakness in the Company’s information technology general controls existed at that time.

52. Defendants Newcomer and Attinger also attached their signed certifications to the Form 10-Q stating that they “[d]esigned such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under [their] supervision, to ensure that material

1 information relating to the registrant, including its consolidated subsidiaries, is made known to us
 2 by others within those entities, particularly during the period in which this report is being prepared.”

3 53. On November 6, 2019, the Individual Defendants caused the Company to file a Form
 4 10-Q with the SEC, which contained virtually identical disclosures regarding the Company’s internal
 5 controls included in the Forms 10-Q filed on March 8, 2019 and August 7, 2019:

6 Our chief executive officer and chief financial officer are
 7 responsible for establishing and maintaining our disclosure controls
 8 and procedures. Disclosure controls and procedures means controls
 9 and other procedures that are designed to ensure that information we
 10 are required to disclose in the reports that we file or submit under
 11 the Securities Exchange Act of 1934 is recorded, processed,
 12 summarized and reported within the time periods specified in the
 13 Securities and Exchange Commission’s rules and forms, and to
 14 ensure that information required to be disclosed by us in those
 15 reports is accumulated and communicated to the our management,
 including our principal executive and principal financial officers, or
 persons performing similar functions, as appropriate to allow timely
 decisions regarding required disclosure. Our chief executive officer
 and chief financial officer evaluated the effectiveness of our
 disclosure controls and procedures (as defined in Rules 13a-15(e)
 and 15d-15(e) under the Securities Exchange Act of 1934) as of
 September 30, 2019. Based on that evaluation, our chief executive
 officer and chief financial officer have concluded that, as of the
 evaluation date, such controls and procedures were effective.

16 54. The above statement in the Form 10-Q was misleading because: (1) the Company
 17 employed an accountant prohibited from practicing before the SEC to assist in the preparation of the
 18 Company’s financial statements for 2017, 2018, and 2019 filed with the SEC, and as a result the
 19 Company’s “success” based on the retention of “highly skilled” personnel in finance was already
 20 impaired at the time these statements were made; (2) a material weakness in the Company’s
 21 information technology general controls existed at that time.

22 55. Defendants Newcomer and Attinger also attached their signed certifications to the
 23 Form 10-Q stating that they “[d]esigned such disclosure controls and procedures, or caused such
 24 disclosure controls and procedures to be designed under [their] supervision, to ensure that material
 25 information relating to the registrant, including its consolidated subsidiaries, is made known to us
 26 by others within those entities, particularly during the period in which this report is being prepared.”

27 **The Truth Begins to Emerge**

1 56. On March 16, 2020, the Company announced that it would be unable to file its annual
2 report on Form 10-K on time, in a press release titled “Paysign, Inc. Announces Preliminary Full-
3 Year 2019 Financial Highlights and Delay of Form 10-K Filing.” In the press release, Paysign
4 disclosed that

5 it will be delayed in the filing of its Annual Report on Form 10-K
6 for the fiscal year ended December 31, 2019. Paysign is filing a
7 Form 12b-25, Notification of Late Filing, with the Securities and
8 Exchange Commission, which will provide Paysign with a 15
calendar-day extension beyond the March 16, 2020 deadline within
which to file the annual report on Form 10-K. The filing extension
will provide the necessary time to complete the financial audit.

9 * * *

10 Separately, in the course of completing its assessment of internal
11 controls over financial reporting for 2019 and the company’s initial
12 year of compliance with Sarbanes-Oxley 404b, management
13 identified material weaknesses related to (i) assessment of internal
controls over financial reporting and (ii) information technology
general controls.

14 57. After this disclosure, the Company’s stock price declined by nearly 15% from its
15 previous day closing price of \$5.52 per share to close at \$4.59 per share on March 16, 2020. The
16 price of Paysign’s common stock declined again to close at \$4.42 per share on March 17, 2020, and
17 \$4.06 per share on March 18, 2020. In total, the above disclosures resulted in wiping out the
18 Company’s market capitalization by more than \$75 million.

19 58. On March 31, 2020, Paysign announced that it required to delay filing the annual
20 report once more by publishing a press release titled “Paysign, Inc. to Delay Yearend Earnings Call
21 Until March 31, 2020.” The press release stated, “Paysign, Inc. (NASDAQ: PAYS), a vertically
22 integrated provider of innovative prepaid card programs, digital banking and processing services for
23 corporate, consumer and government applications, today announced that it will delay its yearend
24 conference call, previously scheduled for March 25th 2020 until March 31, 2020 at 5:00 PM Eastern
25 Time. The Company’s financial results are scheduled to be released shortly after the market closes
26 that day.”
27
28

59. Following this disclosure, the Company's stock price declined by over 22% from its previous day closing price of \$5.16 to close at \$4.35 per share on April 1, 2020. The price of Paysign's common stock declined again on April 2, 2020 to close at \$4.03 per share.

60. On April 3, 2020, the Company finally filed an annual report on Form 10-K with the SEC, which disclosed, in relevant part:

Inadequate and ineffective management assessment of internal control over financial reporting, and ineffective design, implementation and monitoring of information technology general controls pertaining to privileged user accounts and the Company's change management to financial applications. Additionally, the Company lacked sufficient monitoring and disclosure controls to prevent and terminate the employment of an individual barred from practicing before the Securities and Exchange Commission who assisted the Company in accounting matters related to the preparation of its financial statements for 2017, 2018 and 2019.

* * *

[M]anagement concluded that our internal control over financial reporting was not effective. Material weaknesses included the management assessment of internal control over financial reporting, and ineffective oversight of information technology general controls pertaining to user access and the Company's systems change management. During quarter 4 of 2019 and continuing in 2020, management has taken steps to i) improve the design and methods for testing internal controls, ii) added resources to carry out such practices, and iii) instituted new procedures for managing system user access and change control. Additionally, a third material weakness cited by the auditors was that the Company lacked sufficient monitoring and disclosure controls when employing a part-time employee. The Company believes that it had sufficient monitoring and disclosure controls in place and received an opinion of counsel concluding that such work did not constitute a compliance failure. In any event, this situation has already been resolved by the individual no longer being employed by the Company.

61. Three days later, on April 6, 2020, the Company held a conference call with investors and analysts to discuss the financial and operational results for the fiscal year that ended on December 31, 2019. During the call, Newcomer explained that the delay in filing the annual report was due to "several rounds of auditor request[s] for additional data, which took several days to complete." Attinger also added that Paysign and its auditors identified material weaknesses in its internal controls over financial reporting, including a lack of appropriate separation of

responsibilities, inadequate documentation and additional deficiencies related to “systems user access and change control.”

The Individual Defendants’ Stock Sales during the Relevant Period

62. During the Relevant Period, when the Company materially misstated information to the investing public to keep the stock price inflated, and before the scheme was exposed, Defendants Newcomer, Spence, Henry, and Williams (collectively, the “Insider Selling Defendants”) made the following sale of Paysign stock, taking advantage of Paysign’s artificially inflated stock price:

Defendant	Date	Shares	Price	Proceeds
Newcomer	4/18/2019	35,000	\$8.43	\$295,050
Newcomer	9/16/2019	200,000	\$11.03	\$2,206,000
Henry	9/18/2019	2,572	\$11.21	\$28,832
Henry	9/23/2019	14,308	\$11.01	\$157,531
Spence	9/23/2019	20,681	\$11.01	\$227,697
Henry	9/24/2019	1,100	\$11.03	\$12,133
Spence	9/24/2019	3,100	\$11.02	\$226,698
Spence	10/2/2019	1,600	\$11.00	\$17,600
Henry	10/2/2019	1,800	\$11.00	\$19,800
Spence	10/3/2019	49,981	\$11.02	\$550,790
Henry	10/3/2019	31,674	\$11.02	\$349,047
Spence	10/4/2019	44,638	\$11.40	\$508,873
Henry	10/4/2019	98,546	\$11.53	\$1,136,235
Williams	10/28/2019	15,000	\$10.94	\$164,100

63. The stock sales above were dramatically out of line with the Insider Selling Defendants’ prior trading activity before the Relevant Period in terms of both total number of shares sold and the amount of proceeds reaped from any sale of Paysign’s artificially inflated stock price.

DAMAGES TO THE COMPANY

64. As a result of Defendants' wrongful conduct, Paysign disseminated false and misleading statements and omitted material information to make such statements false and misleading when made. The improper statements have devastated Paysign's credibility. Paysign has been, and will continue to be, severely damaged and injured by Defendants' misconduct.

65. As a result of Defendants' misconduct, Paysign has sustained damages, including, but not limited to: (1) costs and expenses incurred from having to defend and possibly settle the Securities Class Action; and (2) costs and expenses incurred from the Company having to remedy its inadequate internal controls, including engaging a national accounting advisory firm to assist with the design and implementation of its internal controls over financial reporting.

66. Moreover, these actions have irreparably damaged Paysign's corporate image, reputation, and goodwill. For the foreseeable future, Paysign will suffer from what is called a "liar's discount," a term applied to the stocks of companies that have been implicated in illegal behavior and have misled the investing public such that future efforts to raise capital (through equity or debt) will be substantially hindered.

DERIVATIVE AND DEMAND REFUSED ALLEGATIONS

67. Plaintiff brings this action derivatively for the benefit of the Company to redress injuries suffered and to be suffered as a proximate result of Defendants' breaches of fiduciary duties and unjust enrichment.

68. Plaintiff will adequately and fairly represent the interests of the Company and its stockholders in enforcing and prosecuting its rights.

69. Plaintiff is an owner of Paysign common stock and was an owner of Paysign common stock at all times relevant hereto.

70. On May 28, 2021, Plaintiff sent the Demand to the Board to investigate and take action to pursue claims against those responsible for causing the Company's material weaknesses in its internal controls, which resulted in the Company facing immense liability, as well as costs in connection with defending against the Securities Class Action. A true and correct copy of the Demand is attached hereto as Exhibit A.

1 71. On June 10, 2021, Plaintiff received a letter from Paysign’s General Counsel stating
2 that the Demand “will be considered by Paysign’s Board of Directors.” A true and correct copy of
3 Paysign’s response to the Demand is attached hereto as Exhibit B.

4 72. On May 16, 2022, Plaintiff requested an update on the Board’s review of the Demand,
5 and advised Paysign’s General Counsel. A true and correct copy of Plaintiff’s follow-up letter to the
6 Demand is attached hereto as Exhibit C.

7 73. On June 9, 2022, Paysign’s General Counsel responded to Plaintiff’s May 16, 2022
8 follow-up letter that “[t]he Board will deal with the issues addressed in the derivative cases as it
9 deems appropriate, including a review of any decision rendered in the Securities Class Action.” A
10 true and correct copy of Paysign’s response is attached hereto as Exhibit D.

11 74. Later that day, Plaintiff sought to clarify the Board’s review of the Demand, whether
12 the Board had not taken any action with respect to the Demand, and requested that the Company
13 take any steps necessary to secure tolling agreements from any potential defendant in any litigation
14 that might result from the Demand. A true and correct copy of Plaintiff’s June 9, 2022 letter is
15 attached hereto as Exhibit E.

16 75. On July 5, 2022, Plaintiff followed-up with Paysign in an e-mail as to his request that
17 Company take necessary steps to secure tolling agreements. A true and correct copy of Plaintiff’s
18 July 5, 2022 e-mail is attached hereto as Exhibit F.

19 76. On July 20, 2022, Paysign’s General Counsel responded to the June 9, 2022 letter
20 and the July 5, 2022 e-mail, declining Plaintiff’s request to secure any tolling agreements, indicating
21 that any existing cases were sufficient to protect Plaintiff’s interest. A true and correct copy of
22 Paysign’s July 20, 2022 letter is attached hereto as Exhibit G.

23 77. On February 9, 2023, United States District Judge Gloria M. Navarro granted in part
24 and denied in part the defendants’ motion to dismiss the Securities Class Action. Specifically, judge
25 Navarro sustained claims against Paysign, Newcomer, and Attinger under the Exchange Act.

26 78. Given the material developments in the Securities Class Action, on April 17, 2023,
27 Plaintiff sent a letter to Paysign referencing judge Navarro’s decision, and requested any updates as
28

1 to the Board's review of the Demand. A true and correct copy of Plaintiff's April 17, 2023 letter is
2 attached hereto as Exhibit H.

3 79. On June 21, 2023, having not received any response from Paysign, Plaintiff sent a
4 follow-up letter to Paysign's General Counsel, reminding that the Board must act promptly upon
5 receiving a litigation demand. Plaintiff also requested information as to whether the Board has
6 formed a committee to investigate the issues raised in the Demand and what steps that the Board has
7 taken as to the Demand. Plaintiff also informed that the Demand will be deemed refused if no
8 response, or an incomplete response, was provided. A true and correct copy of Plaintiff's June 21,
9 2023 letter is attached hereto as Exhibit I.

10 80. On June 28, 2023, Paysign's General Counsel responded, again implicating that the
11 Board had taken no concrete steps in furtherance of Plaintiff's Demand. Among other things,
12 Paysign indicated that no special committee had been formed to take up the issues raised in the
13 Demand. Nor had the Company taken any steps to secure tolling agreements from any parties
14 deemed potentially responsible for the misconduct at issue. A true and correct copy of Paysign's
15 June 28, 2023 letter is attached hereto as Exhibit J.

16 81. Paysign's lack of meaningful response to the Demand and Plaintiff's numerous
17 follow-up requests amounts to a constructive refusal of the Demand.

18 82. The Board has taken no steps to investigate, much less prosecute, the wrongdoing at
19 issue.

20 83. The Board has not formed a special litigation committee to investigate, much less
21 prosecute, the wrongdoing at issue.

22 84. The Board has not addressed the misconduct through other means, such as through
23 the termination or suspension of culpable individuals, clawing back executive or director
24 compensation awards for periods when the wrongdoing occurred, or prospectively amending
25 compensation packages to reduce compensation.

26 85. The Board's (or the Company's) failure to obtain tolling agreements also reflects the
27 deliberate refusal to safeguard the Company's interests. Although Paysign's General Counsel seems

1 to think that existing derivative litigation may be adequate to protect the Company's interests, such
 2 a conclusion does not reflect any Board determination whatsoever. Plaintiff's Demand was
 3 addressed to the Board, and the Board's inaction in this regard is inexcusable. Moreover, the notion
 4 that existing litigation may be adequate to protect the Company's interests ignores two basic things:
 5 *First*, existing derivative litigation does not name all the culpable parties (including, for example,
 6 Joya) and thus could not suffice to protect Paysign's interests. *Second*, the dismissal, voluntary or
 7 involuntary, of existing litigation could nullify the tolling effect of such litigation.

8 86. As the foregoing demonstrates, the Board's inaction in response to the Demand is
 9 unreasonable. The Board's failure to take reasonable action in response to the Demand constitutes a
 10 de facto refusal of the Demand. The Board's rejection of the Demand was not an objective decision
 11 reached with due care, as the Board did not act reasonably or in good faith, on the basis of all
 12 reasonably available information. Rather, the Board summarily disregarded the merits of the claims
 13 and allegations. In light of the substantial amount of time that has passed, the Board's apparent
 14 willingness to let valuable claims expire, and the Board's refusal to fulfill its fiduciary duty to
 15 advance the meritorious claims set forth in Plaintiff's Demand, Plaintiff now brings this Action.

16 **COUNT I**

17 **Against Defendants for Breach of Fiduciary Duty**

18 87. Plaintiff incorporates by reference and realleges each and every allegation contained
 19 above, as though fully set forth herein.

20 88. Defendants owe the Company fiduciary obligations. By reason of their fiduciary
 21 relationships, Defendants owed and owe the Company the highest obligations of good faith, fair
 22 dealing, loyalty, and due care.

23 89. Defendants, together and individually, violated and breached their fiduciary duties of
 24 candor, good faith, and loyalty. More specifically, Defendants violated their duty of good faith by
 25 knowingly causing or recklessly allowing the Company to make false and misleading statements or
 26 fail to disclose that: (1) the Company failed to design, implement, and maintain effective IT general
 27 controls, specifically pertaining to user access and the Company's systems change management; (2)

the Company failed to maintain effective disclosure controls and internal controls over its financial reporting; and (3) due to the foregoing, the Company would be forced to delay filing its 2019 10-K and holding its 2019 year-end earnings call. Moreover, Defendants willfully ignored the obvious problems with the Company's internal controls, practices, and procedures and failed to make a good faith effort to correct the problems or prevent their recurrence.

90. As a direct and proximate result of Defendants' breaches of their fiduciary obligations, Paysign has sustained significant damages, as alleged herein. As a result of the misconduct alleged herein, these defendants are liable to the Company.

91. Plaintiffs, on behalf of Paysign, have no adequate remedy at law.

COUNT II

Against Defendants for Breach of Fiduciary Duty for Wrongful Refusal

92. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

93. As directors of the Company, each Defendant owed the Company and its stockholders the fiduciary obligations of loyalty, good faith, and fair dealing.

94. The Defendants' lack of meaningful response to the Demand and Plaintiff's numerous follow-up requests amounts to a constructive refusal of the Demand.

95. The Defendants breached their fiduciary duties by refusing to correct the situation upon being provided with an opportunity to do so through the Demand. The Defendants' refusal of the Demand was unreasonable and in bad faith.

96. As a result of Defendants' actions, the Company has been and will be damaged.

97. Plaintiff and the Company have no adequate remedy at law.

COUNT III

Against Defendants for Unjust Enrichment

98. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

99. By their wrongful acts and omissions, Defendants were unjustly enriched at the expense of and to the detriment of Paysign in the form of salaries, bonuses, and other forms of compensation.

100. Plaintiff, as a stockholder and representative of Paysign, seeks restitution from these defendants, and each of them, and seeks an order of this Court disgorging all profits, benefits, and other compensation obtained by these defendants, and each of them, from their wrongful conduct and fiduciary breaches.

101. Additionally, at the time each of the Insider Selling Defendants sold his or her Paysign stock, he or she knew the material, non-public information described above, and sold Paysign stock on the basis of such information.

102. The information described above was proprietary, non-public information concerning the Company's business operations, financial condition, and growth prospects. It was a proprietary asset belonging to the Company, which each of the Insider Selling Defendants misappropriated to his or her own benefit when he or she sold personal holdings in Paysign stock. Each of the Insider Selling Defendants knew that this information was not intended to be available to the public. Had such information been generally available to the public, it would have significantly reduced the market price of Paysign stock.

103. The Insider Selling Defendants' sale of stock while in possession and control of this material, adverse, non-public information was a breach of his or her fiduciary duties of loyalty and good faith. Each of the Insider Selling Defendants is therefore liable to Paysign for insider trading.

104. Since the use of the Company's proprietary information for personal gain constituted a breach of the fiduciary duties of the Insider Selling Defendants, the Company is entitled to the imposition of a constructive trust on any profits such Insider Selling Defendants obtained thereby.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, on behalf of Paysign, demands judgment as follows:

1 A. Declaring that Plaintiff may maintain this derivative action on behalf of Paysign and
2 that Plaintiff is a proper and adequate representative of the Company;

3 B. Awarding the amount of damages sustained by the Company as a result of
4 Defendants' breaches of fiduciary duties and other violations of law;

5 C. Ordering the Insider Selling Defendants to disgorge the profits obtained as a result of
6 their sale of Paysign stock while in possession of insider information as described herein;

7 D. Granting appropriate equitable relief to remedy Defendants' breaches of fiduciary
8 duties and other violations of law;

9 E. Awarding to Plaintiff the costs and disbursements of the action, including reasonable
10 attorneys' fees, accountants' and experts' fees and costs and expenses; and

11 F. Granting such other and further relief as the Court deems just and proper.

12 **JURY TRIAL DEMANDED**

13 Plaintiff demands a trial by jury.

14
15 DATED: December 26, 2023

Respectfully submitted,

16
17 /s/ Martin A. Muckleroy
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